

# Lloyds Bank Corporate Markets plc

Q1 2022

Pillar 3 Disclosures

31 March 2022

## BASIS OF PREPARATION

This report presents the interim Pillar 3 disclosures of Lloyds Bank Corporate Markets plc ('the Bank') as at 31 March 2022.

The disclosures have been prepared in accordance with the Disclosure Part of the PRA Rulebook which includes revised disclosure requirements applicable from 1 January 2022 following the UK implementation of the remaining provisions of Capital Requirements Regulation II.

Specific Pillar 3 templates are required to be disclosed on a quarterly basis and these are included within this report with the following exceptions:

– Template CCR7 (RWA flow statements of CCR exposures under the IMM) is not applicable to the Bank.

The information presented in this Pillar 3 report is not required to be, and has not been, subject to external audit.

## FORWARD LOOKING STATEMENTS

This document contains certain forward looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and section 27A of the US Securities Act of 1933, as amended, with respect to the business, strategy, plans and/or results of Lloyds Bank Corporate Markets plc together with its subsidiaries (the Group) and its current goals and expectations. Statements that are not historical or current facts, including statements about the Group's or its directors' and/or management's beliefs and expectations, are forward looking statements. Words such as, without limitation, 'believes', 'achieves', 'anticipates', 'estimates', 'expects', 'targets', 'should', 'intends', 'aims', 'projects', 'plans', 'potential', 'will', 'would', 'could', 'considered', 'likely', 'may', 'seek', 'estimate', 'probability', 'goal', 'objective', 'deliver', 'endeavour', 'prospects', 'optimistic' and similar expressions or variations on these expressions are intended to identify forward looking statements. These statements concern or may affect future matters, including but not limited to: projections or expectations of the Group's future financial position, including profit attributable to shareholders, provisions, economic profit, dividends, capital structure, portfolios, net interest margin, capital ratios, liquidity, risk-weighted assets (RWAs), expenditures or any other financial items or ratios; litigation, regulatory and governmental investigations; the Group's future financial performance; the level and extent of future impairments and write-downs; the Group's ESG targets and/or commitments; statements of plans, objectives or goals of the Group or its management and other statements that are not historical fact; expectations about the impact of COVID-19; and statements of assumptions underlying such statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future. Factors that could cause actual business, strategy, plans and/or results (including but not limited to the payment of dividends) to differ materially from forward looking statements include, but are not limited to: general economic and business conditions in the UK and internationally; market related risks, trends and developments; risks concerning borrower and counterparty credit quality; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; volatility in credit markets; volatility in the price of our securities; any impact of the transition from IBORs to alternative reference rates; the ability to access sufficient sources of capital, liquidity and funding when required; changes to the Group's or Lloyds Banking Group plc's credit ratings; the ability to derive cost savings and other benefits including, but without limitation, as a result of any acquisitions, disposals and other strategic transactions; inability to capture accurately the expected value from acquisitions; potential changes in dividend policy; the ability to achieve strategic objectives; insurance risks; management and monitoring of conduct risk; exposure to counterparty risk; credit rating risk; tightening of monetary policy in jurisdictions in which the Group operates; instability in the global financial markets, including within the Eurozone, and as a result of ongoing uncertainty following the exit by the UK from the European Union (EU) and the effects of the EU-UK Trade and Cooperation Agreement; political instability including as a result of any UK general election and any further possible referendum on Scottish independence; operational risks; conduct risk; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; natural pandemic (including but not limited to the COVID-19 pandemic) and other disasters; inadequate or failed internal or external processes or systems; acts of hostility or terrorism and responses to those acts, or other such events; geopolitical unpredictability; the war between Russia and Ukraine; risks relating to sustainability and climate change (and achieving climate change ambitions), including the Group and/or Lloyds Banking Group plc's ability along with the government and other stakeholders to measure, manage and mitigate the impacts of climate change effectively; changes in laws, regulations, practices and accounting standards or taxation; changes to regulatory capital or liquidity requirements and similar contingencies; assessment related to resolution planning requirements; the policies and actions of governmental or regulatory authorities or courts together with any resulting impact on the future structure of the Group; failure to comply with anti-money laundering, counter terrorist financing, anti-bribery and sanctions regulations; failure to prevent or detect any illegal or improper activities; projected employee numbers and key person risk; increased labour costs; assumptions and estimates that form the basis of our financial statements; the impact of competitive conditions; and exposure to legal, regulatory or competition proceedings, investigations or complaints. A number of these influences and factors are beyond the control of the Group or Lloyds Banking Group plc. Please refer to the Base Prospectus for the Group's Euro Medium Term Note Programme and the latest Annual Report on Form 20-F filed by Lloyds Banking Group plc with the US Securities and Exchange Commission (the SEC), which is available on the SEC's website at [www.sec.gov](http://www.sec.gov), for a discussion of certain factors and risks. Lloyds Banking Group plc may also make or disclose written and/or oral forward-looking statements in other written materials and in oral statements made by the directors, officers or employees of Lloyds Banking Group plc to third parties, including financial analysts. Except as required by any applicable law or regulation, the forward-looking statements contained in this document are made as of today's date, and the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements contained in this document whether as a result of new information, future events or otherwise. The information, statements and opinions contained in this document do not constitute a public offer under any applicable law or an offer to sell any securities or financial instruments or any advice or recommendation with respect to such securities or financial instruments.

**TABLE OF CONTENTS****Overview of risk weighted exposure amounts**

OV1	Overview of risk-weighted assets	4
-----	----------------------------------	---

**IRB Approach to Credit Risk**

CR8	Risk-weighted assets movements by key driver - YTD	5
-----	--	---

**Internal Model for Market Risk**

MR2-B	RWA flow statements of market risk exposures under an IMA	5
-------	---	---

**Liquidity Requirements**

LIQ1	Liquidity coverage ratio	6
LIQB	Qualitative information on LCR	6

## Overview of risk weighted exposure amounts

### OV1: Overview of risk-weighted assets

	Total RWA		Total own funds requirements
	31 Mar 2022 £m	31 Dec 2021 <sup>1</sup> £m	31 Mar 2022 £m
1 <b>Credit risk (excluding CCR)<sup>1</sup></b>	<b>10,155</b>	9,581	<b>813</b>
2 Of which the standardised approach <sup>1</sup>	1,218	1,337	98
3 Of which the foundation IRB (FIRB) approach	8,160	7,468	653
4 Of which slotting approach	214	197	17
UK 4a Of which equities under the simple risk weighted approach <sup>1</sup>	508	508	41
Of which: non-credit obligation assets <sup>2</sup>	55	71	4
6 <b>Counterparty credit risk - CCR<sup>1</sup></b>	<b>6,349</b>	4,496	<b>508</b>
7 Of which the standardised approach	5,588	—	447
Of which: marked to market <sup>1</sup>	—	3,507	—
UK 8a Of which exposures to a CCP	128	361	10
UK 8b Of which credit valuation adjustment - CVA	404	472	33
9 Of which other CCR	229	156	18
16 <b>Securitisation exposures in the non-trading book (after the cap)<sup>1</sup></b>	<b>577</b>	571	<b>46</b>
18 Of which SEC-ERBA (including IAA) <sup>1</sup>	274	254	22
19 Of which SEC-SA approach <sup>1</sup>	303	317	24
20 <b>Position, foreign exchange and commodities risks (Market risk)</b>	<b>2,390</b>	2,933	<b>191</b>
21 Of which the standardised approach	334	259	27
22 Of which IMA	2,056	2,674	164
23 <b>Operational risk</b>	<b>855</b>	855	<b>68</b>
UK 23b Of which standardised approach	855	855	68
24 <b>Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)<sup>1</sup></b>	<b>561</b>	555	<b>45</b>
29 <b>Total</b>	<b>20,326</b>	18,436	<b>1,626</b>
Pillar 2A capital requirement			847
<b>Total capital requirement</b>			<b>2,473</b>

1 Restated in accordance with revised OV1 template requirements: (i) threshold balances now reported through relevant underlying category; (ii) counterparty credit risk exposures linked to securitisations now reported through securitisation exposures.

2 Non-credit obligation assets (IRB approach) includes other balance sheet assets that have no associated credit risk.

## IRB Approach to Credit Risk

The table below summarises the movements of risk-weighted assets for credit risk exposures under the Internal Ratings Based (IRB) Approach. The table excludes counterparty credit risk exposures, securitisation exposures, other non-credit obligation assets and equity exposures.

### CR8: Risk-weighted assets flow statements of credit risk exposures - year to 31 March 2022

	Total RWA	Total own funds requirements
	£m	£m
<b>1 Risk weighted exposure amount as at 31 Dec 2021</b>	<b>7,665</b>	<b>613</b>
2 Asset size (+/-)	630	51
3 Asset quality (+/-)	(51)	(4)
4 Model updates (+/-)	—	—
5 Methodology and policy (+/-)	17	1
6 Acquisitions and disposals (+/-)	—	—
7 Foreign exchange movements (+/-)	113	9
8 Other (+/-)	—	—
<b>9 Risk weighted exposure amount as at 31 Mar 2022</b>	<b>8,374</b>	<b>670</b>

#### Key movements

– Asset size increase of £0.6 billion predominantly reflects net new lending.

## Internal Model for Market Risk

The table below summarises the movements of risk-weighted assets for market risk exposures under the Internal Models Approach (IMA).

### MR2-B: Risk-weighted assets flow statements of market risk exposures under an IMA

	VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWA	Total own funds requirements
	£m	£m	£m	£m	£m	£m	£m
<b>1 RWAs at 31 Dec 2021</b>	<b>312</b>	<b>1,171</b>	<b>181</b>	<b>0</b>	<b>1,010</b>	<b>2,674</b>	<b>214</b>
1a Regulatory adjustment	(210)	(951)	—	—	—	(1,161)	(93)
<b>1b RWAs at end of day 31 Dec 2021<sup>1</sup></b>	<b>102</b>	<b>220</b>	<b>181</b>	<b>0</b>	<b>1,010</b>	<b>1,513</b>	<b>121</b>
2 Movement in risk levels	27	(66)	(132)	—	(157)	(328)	(26)
3 Model updates/changes	—	—	—	—	(7)	(7)	(1)
4 Methodology and policy	—	—	—	—	—	—	—
5 Acquisitions and disposals	—	—	—	—	—	—	—
6 Foreign exchange movements	—	—	—	—	—	—	—
7 Other	—	—	—	—	—	—	—
<b>8a RWAs at end of day 31 Mar 2022<sup>1</sup></b>	<b>129</b>	<b>154</b>	<b>49</b>	<b>0</b>	<b>846</b>	<b>1,178</b>	<b>94</b>
8b Regulatory adjustment	241	577	60	—	—	878	70
<b>8 RWAs at 31 Mar 2022</b>	<b>370</b>	<b>731</b>	<b>109</b>	<b>0</b>	<b>846</b>	<b>2,056</b>	<b>164</b>

<sup>1</sup> End of day represents spot position

#### Key movements

– Market risk RWAs decreased over the quarter largely driven by a reduction in interest rate risk exposure.

## Liquidity Requirements

### LIQ1: Liquidity Coverage Ratio<sup>1</sup>

The table below presents the breakdown of the Bank's cash outflows and cash inflows, as well as its available high quality liquid assets, calculated as the simple averages of month end observations over the 12 months preceding the end of each quarter.

	Total unweighted value (average)	Total weighted value (average)
	31 Mar 2022	31 Mar 2022
Number of data points used in calculation of averages	12	12
<b>HIGH-QUALITY LIQUID ASSETS (£m)</b>		
1 Total high-quality liquid assets (HQLA)		24,647
<b>CASH - OUTFLOWS (£m)</b>		
2 Retail deposits and deposits from small business customers, of which:	7,422	957
3 Stable deposits	—	—
4 Less stable deposits	7,422	957
5 Unsecured wholesale funding	7,594	5,077
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	—	—
7 Non-operational deposits (all counterparties)	6,801	4,284
8 Unsecured debt	793	793
9 Secured wholesale funding		16
10 Additional requirements	21,985	16,511
11 Outflows related to derivative exposures and other collateral requirements	12,427	12,422
12 Outflows related to loss of funding on debt products	—	—
13 Credit and liquidity facilities	9,558	4,089
14 Other contractual funding obligations	347	312
15 Other contingent funding obligations	5,927	191
16 TOTAL CASH OUTFLOWS		23,064
<b>CASH - INFLOWS (£m)</b>		
17 Secured lending (e.g. reverse repos)	20,200	121
18 Inflows from fully performing exposures	862	763
19 Other cash inflows	7,231	7,230
UK-19a (Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)		—
UK-19b (Excess inflows from a related specialised credit institution)		—
20 TOTAL CASH INFLOWS	28,293	8,114
UK-20a Fully exempt inflows	—	—
UK-20b Inflows subject to 90% cap	—	—
UK-20c Inflows subject to 75% cap	24,526	8,114
<b>TOTAL ADJUSTED VALUE</b>		
UK-21 LIQUIDITY BUFFER (£m)		24,647
22 TOTAL NET CASH OUTFLOWS (£m)		14,950
23 LIQUIDITY COVERAGE RATIO (%)		166 %

<sup>1</sup> First disclosure - no prior comparatives provided.

### LIQB: Qualitative information on LCR

The Bank's Pillar 3 LCR disclosure (calculated as the simple average of month end observations over the 12 months preceding the end of the reporting quarter) was 166% as of 31 March 2022.

The Bank manages and monitors funding and liquidity risks in accordance with internal risk appetite, strategy and regulatory requirements, including maintaining diversified funding sources. Funding concentration by counterparty, currency and tenor is monitored on an ongoing basis and where concentrations do exist, these are managed as part of the planning process and limited by the internal funding and liquidity risk monitoring framework, with analysis regularly provided to senior management.

The liquidity buffer almost entirely consists of Level 1 items, of which the vast majority is held as central bank reserves.

The Bank's derivative exposures and other collateral requirements outflows include modelled outflows due to a deterioration in credit rating and outflows from the impact of an adverse market scenario on derivatives transactions. Also included are outflows on derivative contracts that have offsetting inflows recorded in 'other cash inflows' in the template.

The Bank's liquidity risk management framework covers currency liquidity risk, and ensures the currency denomination of LCR liquid assets is consistent with the distribution of net currency liquidity outflows. Granular LCR risk appetites by significant currency are set and monitored across tenors at the Bank's committee level i.e Asset and Liability Committee.